

MISSISSIPPI

Performance Audit

Mississippi Blues Commission

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The Mississippi Blues Commission’s Spending and Need for Overhaul

Performance audit of Blues Commission reveals documentation issues and need for reform

Executive summary: The Mississippi Blues Commission, a small state commission, failed to retain documentation for over \$964,000 in payments to vendors and paid \$1.9 million to vendors without a contract on file, among other issues. Given these issues, the State Auditor made several recommendations highlighted below, including a recommendation to consider abolishing the Commission and moving its responsibilities to the Mississippi Blues Foundation, a 501(c)3 non-profit organization.

The Mississippi Blues Trail (Blues Trail) was implemented by the Mississippi Blues Commission (Commission) in 2006 to place informative markers in and around historical blues sites throughout the State of Mississippi. These blues sites were related to the birth, growth, existence, and influences of many blues artists, both men and women, of the State and in some cases beyond the State. The markers can be found on city streets, near train depots, cemeteries, clubs, and churches. Since 2006, Delta State University (DSU) assisted the Commission by acting as the fiscal agent for the Commission.

The Commission requested OSA review their business activities with contracts, relationships with vendors, and the overall program operation. The purpose of this review was to ensure the Commission adhered to Senate Bill 2082 (2004 Regular Legislative Session), its Bylaws, policies, and procedures. OSA analyzed the Commission’s internal controls, accountability, transparency, safeguards, and grant management systems. OSA notes the Commission has not been audited since its creation in 2006 by any public, private, state, or federal entity.

OSA’s methodology consisted of multiple levels of review. OSA reviewed governmental auditing standards and practices; the Commission’s policies and source documents, like board meeting minutes, general agreements, Memorandums of Understanding (MOU), and financial reports; Delta State University (DSU) Accounting & Finance Department’s policies and procedures; the Delta Center for Culture and Learning’s (Delta Center) financial data; the Mississippi Department of Transportation’s (MDOT) grant documentation; and the Mississippi Procurement Manual. OSA also conducted interviews with contractors and appointees. To facilitate this audit, OSA attempted to identify the following:

- The total amount of funding the Commission received, as well as the funding sources;
- The Commission’s Fiscal Agent;
- The relationship and selection process of the Commission’s Historians;
- The establishment of a State Treasury fund with the Department of Finance and Administration (DFA);
- The compensation of board members;
- The total number of contract vendors with the Commission and how much they were compensated;
- The establishment of a Sole Source Provider;
- Notification by the Commission of public meetings; and
- How effective and efficient the operation of the Commission has been from 2006 to the present.

As a result of this review, OSA issues the following findings and recommendations in Chart 1 to the Commission to improve program operations and oversight. The findings and recommendations are described in greater detail below the chart.

Chart 1

Finding 1	OSA found the Commission had \$964,835.48 in unidentified expenditures (Page 5).
Recommendation 1	<i>OSA recommends DSU provide detailed supporting documentation to the Commission explaining the unidentified expenditures. If an appropriate explanation is not provided for this amount, DSU should reimburse the Commission \$964,835.48 (Page 5).</i>

Findings: 2 – 7	<p>OSA found 20 vendors were compensated from the NEH grant; however, no contracts were found for any vendor listed and approximately \$268,798.10 was paid to these vendors (Page 6).</p> <p>OSA found 31 vendors were compensated from NEH Cost Share; however, no contracts were found for any vendor listed and approximately \$181,725.24 was paid to these vendors (Page 6).</p> <p>OSA found nine (9) vendors were compensated from the NEA Grant #1, NEA Grant #2, and NEA Grant #3; however, no contracts were found for any vendor listed and approximately \$108,927.88 was paid to these vendors (Page 7).</p> <p>OSA found 36 vendors were compensated from MDOT Grant #1; however, no contracts were found for any vendor listed, and approximately \$398,751.92 was paid to these vendors (Page 8).</p> <p>OSA found 17 vendors were compensated from MDOT Grant #2; however, no contracts were found for any vendor listed and approximately \$637,141.03 was paid to these vendors (Page 8).</p> <p>OSA found 19 vendors were compensated from the Operating Fund; however, no contracts were found for any vendor listed, and approximately \$343,192.09 was paid to these vendors (Page 9).</p>
Recommendation 2	<i>OSA recommends the Commission establish contracts for individual vendors and include work performed and contractual amounts (Page 7).</i>
Finding 8	OSA finds the language in the project summary for the NEA grants was inconsistent with the purpose of the Commission (Page 7) .
Recommendation 3	<i>OSA recommends the Commission ensure language included in all contracts and any future grants identify the funds to support the “MS Blues Trail” (Page 7).</i>
Finding 9	OSA finds the Commission and DSU improperly utilized earmarked funds to financially support CMT markers (Page 9) .
Recommendation 4	<i>OSA recommends the Commission discontinue the financial support of CMT markers with funds specifically earmarked for the “Blues Trail” (Page 9).</i>
Finding 10	OSA finds the Commission compensated and allowed the <u>Interim Fiscal Agent</u> to operate without an active contract for at least eight years (Page 10) .
Recommendation 5	<i>If the Commission determines it is in their best interest to continue the relationship with the <u>Interim Fiscal Agent</u>, then the <u>Interim Fiscal Agent</u> should request the Commission update their Bylaws, create an approved list of vendors, and establish a State fund for future bill payment procedures and public transparency (Page 10-11).</i>
Finding 11	OSA found the Commission could not identify who hired Historians, nor did they have active contracts on file from 2006 to the present (Page 11) .
Recommendation 6	<i>OSA recommends the Commission re-evaluate the employment of the Historians, open these services for competitive bidding, and ensure each have an active contract on file that details roles and the requirements needed for future projects (Page 11).</i>
Finding 12	OSA found the Commission did not establish a State agency fund with the State Treasury as directed in §39-27-1(9) with the Department of Finance and Administration (Page 11) .
Recommendation 7	<i>OSA recommends the Commission coordinate with the Department of Finance and Administration to create a fund for revenues such as donations, grant funds, appropriations, matching funds, the sale of memorabilia, and royalties and to track expenditures and any accumulated interest as required in §39-27-1(9) (Page 11).</i>
Finding 13	OSA found the former Executive Director of the Delta Center, identified as a member of the Commission (MS Code §39-27-1(4)(g)), was compensated \$12,450.00 for time and services with funds earmarked for the Commission (Pages 11) .
Recommendation 8	<i>OSA recommends the <u>Interim Fiscal Agent</u> reimburse the Commission \$12,450.00 for the funds used from NEA Grant #2 that paid a portion of the Delta Center Executive Director’s salary (member of the Commission). In the future, the Commission should ensure no members of the Commission are compensated for services provided according to §39-27-1(6) (Page 11).</i>

Finding 14	OSA found approximately 72 vendors have been compensated over \$1.9 million by the Commission for projects and services without having valid contracts (Page 11) .
Recommendation 9	<i>OSA recommends the Commission ensure each vendor has a current contract on file, adhere to Mississippi Public Bid laws, conduct vendor background checks, and monitor vendors to ensure they are providing services agreed on in the contract (Page 11).</i>
Finding 15	The Commission has allowed Hammons & Associates to operate as a vendor, as well as a sole source provider without the Commission filing and seeking approval from DFA per Mississippi Procurement Manual 3.109, which states, "A contract may be awarded for commodities without competition when the Chief Procurement Officer...there is only one source for the required commodity. State Agencies must obtain approval for sole source purchases from the Office of Purchasing, Travel and Fleet Management" (Page 11) .
Recommendation 10	<i>OSA recommends the Commission suspend the activities of Hammons and Associates as the sole source provider, and open these services for competitive bidding to be in compliance with the MS Code §31-7-13(c) (Page 12).</i>
Finding 16	OSA found no evidence the Commission advertised in the local newspaper which is required in MS Code §31-7-13 (c); nor did they obtain a court order to establish vendors as Sole Source Providers (Page 12) .
Recommendation 11	<i>OSA recommends the Commission follow Office of the State Auditor guidance and Mississippi Purchasing Laws, as well as follow approved steps to confirm vendors as Sole Source Providers according to MS Code §31-7-13(c) (Page 12).</i>
Finding 17	OSA finds the Commission failed to provide public notice and notify DFA of quarterly meetings since 2006 as required in §25-41-13(3) and §39-27-1(5) (Page 12) .
Recommendation 12	<i>OSA recommends the Commission adhere to MS Code §25-41-13(3) and §39-27-1(5) (Page 12).</i>

Senate Bill 2082 (MS Code §39-27-1(3)(a)-(g)) established the Mississippi Blues Commission by providing them with the power to:

- Develop a marketing plan to attract tourists;
- Establish a statewide Mississippi "Blues Trail" for historical tours;
- Make an inventory of blues "assets" that make up the blues culture;
- Coordinate with several State entities to ensure there is a comprehensive approach to marketing the blues culture;
- Make recommendations regarding the establishment of a budget for a permanent Mississippi Office of the Blues;
- Coordinate the blues marketing plan with any existing State historic preservation programs; and
- Raise and expend grant funds to assist any blues musicians in need.

In addition to the duties mentioned above, the Commission has 18 statutory members (MS Code §39-27-1(4)(a)-(m)):

- Director of the Division of Tourism of the Mississippi Development Authority (MDA);
- Executive Director of the Mississippi Department of Archives and History or designee;
- Executive Director of the Mississippi Arts Commission or designee;
- Executive Director of the Mississippi Educational Television Authority or his designee;
- Director of the Center for the Study of Southern Culture at the University of Mississippi;
- Director of the University Center for Economic Development at Mississippi Valley State University or a person designated by the President of Mississippi Valley State University;
- Director of the Delta Center for Culture and Learning at Delta State University;
- President of the B.B. King Museum and Delta Interpretive Center;
- State Director of the United States Department of Agriculture Rural Development Agency;
- Two (2) members of the Mississippi Senate designated by the Lieutenant Governor (nonvoting basis);
- Two (2) members of the Mississippi House of Representatives designated by the Speaker of the House (non-voting basis);

- Two (2) members appointed by the Governor, who shall have experience in cultural affairs or tourism development in the Mississippi Delta; and
- Four (4) members appointed by the Governor from the state at large.

Funding/Grant Awards

As previously stated, the Commission was legislatively created in 2006. It was not and has not been provided any legislative appropriations. Its funding is comprised of grants from the Mississippi Department of Transportation, the Federal Surface Transportation Enhancement Fund (MDOT Grant #1 & MDOT Grant #2), the National Endowment for the Humanities (NEH), the NEH Blues Cost Share Fund (NEH Cost Share), the National Endowment for the Arts (NEA Grant #1, NEA Grant #2, and NEA Grant #3), donations from the Mississippi Arts Commission, donations from the Mississippi Blues Foundation, and other public/private donations, royalties, and matching funds from local governmental entities. The Commission has collected over \$2.9 million since its inception (see Chart 2).

Chart 2

Funding Source	Time Period	Amount
NEH Grant	11/2006 - 4/2010	\$305,000.00
NEH Cost Share	5/2007- 2/2010	\$300,829.00
NEA Grant #1	8/2005 - 8/2006	\$10,000.00
NEA Grant #1 Match	See grant dates	\$20,000.00
NEA Grant #2	6/2007 - 7/2010	\$20,000.00
NEA Grant #2 Match	See grant dates	\$24,950.00
NEA Grant #3	10/2008 - 9/2010	\$10,000.00
NEA Grant #3 Match	See grant dates	\$16,000.00
MDOT Grant #1	7/2007 - 5/2012	\$499,422.40
MDOT Grant #1 Match	See grant dates	\$124,855.60
MDOT Grant #2	6/2010 – Present	\$800,000.00
MDOT Grant #2 Match	See grant dates	\$200,000.00
Operating Fund	2/2007 – 11/2017	\$573,137.70
Online Sales	09/2018 – 11/2018	\$570.48
Royalties	01/2016 – 11/2018	\$4,057.95
Total		\$2,908,823.13

Sources: Mississippi Department of Transportation; Delta State University; National Endowment for the Arts (My Grant At A Glance)

Another small source of revenue for the Commission included online sales of T-shirts, hats, and other memorabilia that bear the Commission’s trademark logo. Per documentation provided to OSA, the Commission has received \$570.48 from online sales and \$4,057.95 in royalties from a separate entity using the Commission’s logo.

Chart 3 illustrates the total amount of grants and operating funds used to compensate vendors (\$1,939,836.26). **OSA found the Commission had \$964,835.48 in unidentified expenditures.** The NEH grant totaled \$305,000.00, but OSA could only account for 89% of the funds. OSA could not identify some expenditures paid from the NEH Cost Share, NEA Grant #1, NEA Grant #2, MDOT Grant #1, MDOT Grant #2, and the Operating Fund. **OSA recommends DSU provide supporting documentation to the Commission detailing the unidentified expenditures. If an appropriate explanation is not provided for these amounts, DSU should reimburse the Commission for all unidentified expenditures.**

Chart 3

Grant	Amount Spent on Vendors	Unidentified Expenditures
NEH	\$268,798.10	\$31,701.90
NEH Cost Share	\$181,725.24	\$119,103.76
NEA Grant #1	\$30,000.00	\$0.00
NEA Grant #2	\$58,927.75	*(\$13,977.75)
NEA Grant #3	\$20,000.13	\$5,999.87
MDOT Grant #1	\$398,751.92	\$225,976.08
MDOT Grant #2	\$637,141.03	\$359,958.97
Operating Fund	\$343,192.09	\$236,072.65
Total	\$1,939,836.26	\$964,835.48

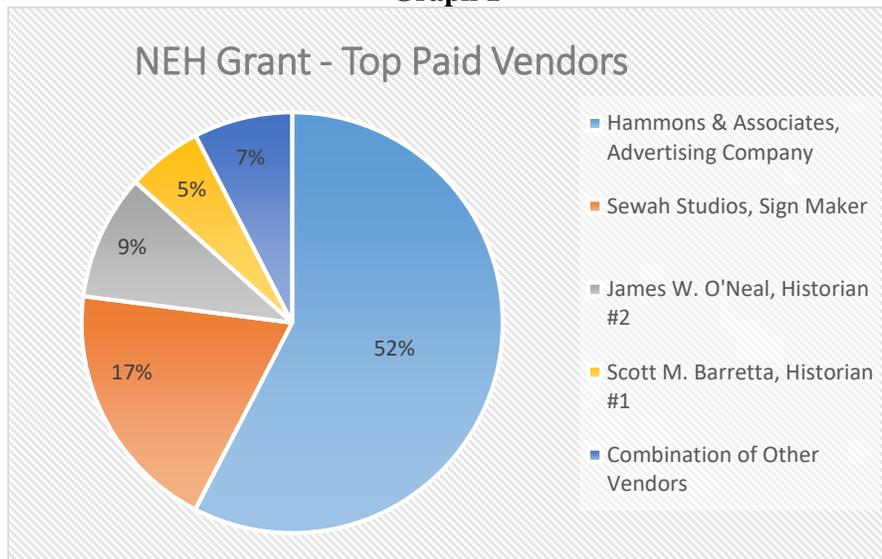
Source: DSU’s financial data from the Banner Accounting System

*Note: NEA Grant #2 was overspent by (\$13,977.75). The budgeted amount was \$44,950.00.

National Endowment for Humanities

The NEH grant totaled \$305,000.00 from November 2006 through March 2008. The “Official Notice of Action” did not have a matching funds requirement. The highest paid vendor under this grant was Hammons & Associates, Inc., (see Graph 1) receiving 52% (\$154,856.43) of the grant funds issued. **OSA found 20 vendors were compensated from the NEH grant; however, no contracts were found for any vendor listed, and approximately \$268,798.10 was paid to these vendors.**

Graph 1¹



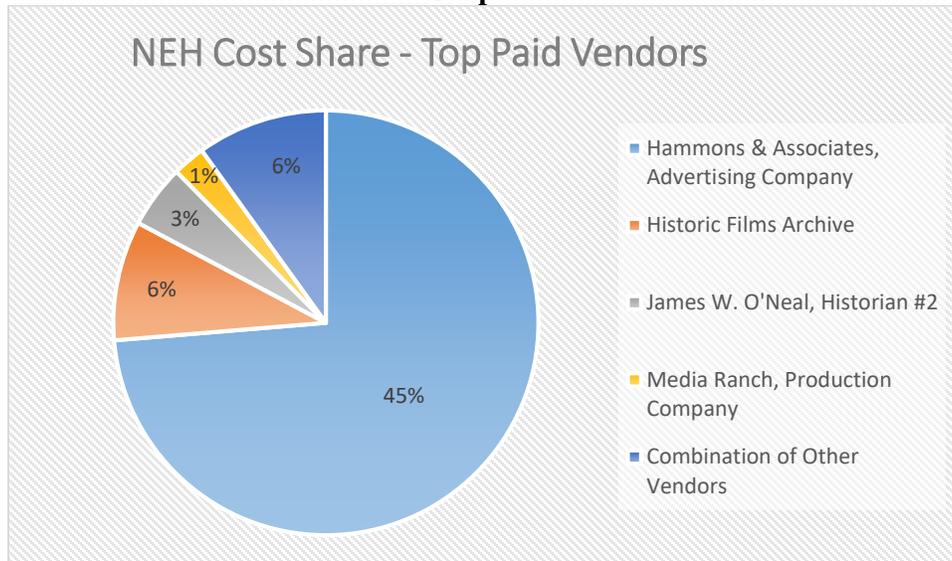
Source: DSU’s financial data for the Banner Accounting System.

Additionally, OSA found other revenues associated with the NEH grant totaling \$300,829.00. DSU stated these funds were a cost share to the grant and identified these funds as the “NEH Blues Trail Cost Share Fund.” This fund appeared to be donations from March 2007 through February 2010. **OSA found 31 vendors were compensated from NEH Cost Share; however, no contracts were found for any vendor listed and approximately \$181,725.24 was paid to these vendors.** DSU explained the NEH Cost Share covered salaries, wages, fringe benefits, consultant fees,

¹ NEH Grant - Top Paid Vendors only represent 89% of expenditures; 11% (\$31,701.90) are indicated as unidentified expenditures.

travel, supplies, materials, mileage, copy research, outline and writing of scripts for artists. Hammons & Associates was the highest paid vendor under the NEH Cost Share and was paid 45% (\$133,896.66) of the funds issued. **OSA recommends the Commission establish contracts for individual vendors and include work performed and contractual amounts.** These documents should be available upon request for internal and/or external auditing by Commission members, the State Auditor, and the legislative branch.

Graph 2²



Source: DSU's financial data for the Banner Accounting System

National Endowment for the Arts

The NEA grants were additional funding sources issued from August 2005 through September 2010 to assist the Commission in funding out-of-state markers for the Blues Trail. The NEA grants funded markers located in Illinois, Tennessee, Arkansas, Louisiana, Michigan, Wisconsin, Alabama, and Ohio. The Commission received federal grants from NEA that were split into three (3) separate grants to include matching funds³ and in-kind services⁴ totaling \$100,950.00 (see Chart 2). **OSA found nine (9) vendors were paid from NEA Grant #1, NEA Grant #2, and NEA Grant #3; however, no contracts were found for any vendor listed and approximately \$108,927.88 was paid to these vendors (see Recommendation #2).** The three NEA grants included project costs such as construction, travel, postage, office supplies, production, and printing totaling over \$40,000.00. Documentation reviewed indicated a Delta Center employee received payments from NEA Grant #2 (\$20,750.00) and NEA Grant #3 (\$387.00) totaling \$21,137.00. Auditors were not provided supporting documentation for these payments. NEA Grant #2 also included \$12,450.00 paid to the Executive Director of the Delta Center.

Delta State University (DSU) was listed as the grantee for the NEA grants rather than the Commission. The NEA's project summary stated ...*The Mississippi Blues Heritage Trail will interpret the story of America's first musical art form by celebrating the stories, places, people, and events involved in the origin and dissemination of the Blues...* **OSA finds the language in the project summary for the NEA grants was inconsistent with the purpose of the Commission.** The summary stated the funds were for the "MS Blues Heritage Trial" instead of for the "MS Blues Trail". **OSA recommends the Commission ensure language included in all contracts and any future grants identify the funds to support the "MS Blues Trail".**

Although OSA was able to obtain limited financial data for the NEH and NEA grants, auditors were unable to obtain pertinent information regarding the administration of the grants such as invoices, purchase orders, and MOUs. Maintaining these documents in the future is critical as these are required for audit and oversight purposes.

² NEH Cost Share – Top Paid Vendors only represent 60% of expenditures; 40% (\$119,103.76) are unidentified expenditures.

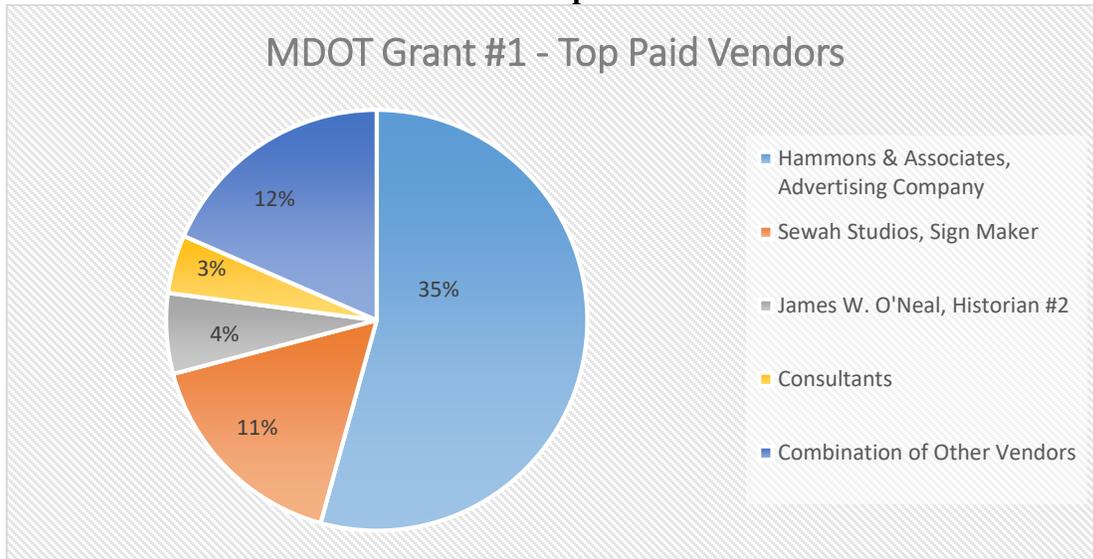
³ Matching funds: Funds that are set to be paid in equal amount to funds available from other sources. Matching funds payments usually arise in situations of charity or public good.

⁴ In-Kind Services: Paid or given in goods, commodities, or services instead of money.

Mississippi Department of Transportation Grant #1

An agreement was established between MDOT and MDA for the issuance of funds for MDOT Grant #1. This grant was issued in July 2007 and totaled \$499,420.40. MDA’s matching portion was 20% and totaled \$124,855.60. OSA obtained documentation from DSU and MDOT which showed the blues markers were purchased for an average cost of \$1,750 per marker. All of the funds for MDOT Grant #1 should have been expended by June 2012. **OSA found 36 vendors were paid \$398,751.92 from MDOT Grant #1; however, no contracts were found for any vendors (See Recommendation #2).** The highest paid vendor was paid \$216,494.15 (see Graph 3), which was thirty-five percent (35%) of the total amount disbursed.

Graph 3⁵



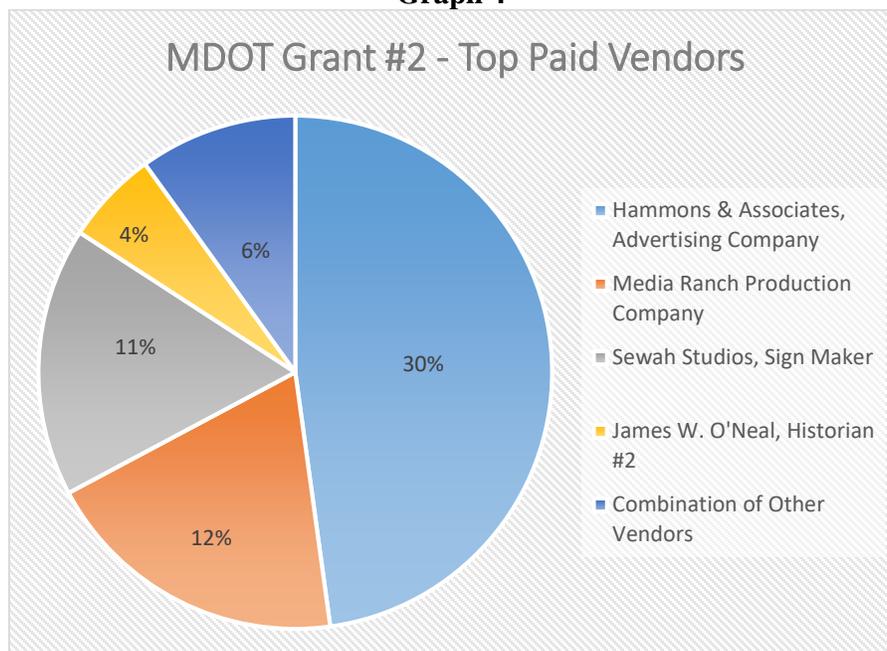
Source: DSU’s financial data for the Banner Accounting System

Mississippi Department of Transportation Grant #2

MDOT Grant #2 was issued in June 2010 in the amount of \$800,000.00. Per DSU’s financial data, MDA and the Commission added \$200,000.00 for a total grant amount of \$1,000,000.00. DSU’s documentation stated the grant financially supported 60 Blues Trail markers and 14 Country Trail markers. Although numerous requests were made to the Commission, DSU, MDOT, and MDA, OSA was unable to obtain a grant agreement that stipulated the requirements of MDOT Grant #2. **OSA found 17 vendors were paid from MDOT Grant #2; however, no contracts were found for any vendor although approximately \$637,141.03 was paid to these vendors (see Recommendation #2).** The highest paid vendor, Hammons & Associates, was paid \$304,695.82 (see Graph 4), which was thirty percent (30%) of the total amount disbursed.

⁵ MDOT Grant #1 – Top Paid Vendors only represent 64% of expenditures; 36% are unidentified expenditures.

Graph 4⁶



Source: DSU's financial data for the Banner Accounting System

In addition, the Commission and DSU used the funds from MDOT Grant #2 to support not only Blues Trail markers, but also Country Trail markers (CMT). MS Code §39-27-1(2) states: *...For purposes of this chapter, the term "blues" shall mean African-American roots music and the culture that created it...* **OSA finds the Commission and DSU improperly utilized earmarked funds to financially support a trail that was not statutorily purposed.** Former Delta Center staff stated during interviews, the Commission adopted the CMT; however, no pertinent documentation was provided to OSA that supported the purchase of CMT's markers. **OSA recommends the Commission discontinue the financial support of CMT markers with funds specifically earmarked for the "Blues Trail."** Per MS Code §39-33-1, *The Division of Tourism of the Mississippi Development Authority is authorized and directed...to establish a statewide Mississippi "Country Music Trail" ...the division shall be authorized to purchase appropriate Mississippi Country Music Trail markers from any of its available funds...* Clearly, these markers should have been purchased by the MDA Division of Tourism and not with MDOT grant funds.

Operating Fund

The Commission has an Operating Fund, established in 2007, that was also used to fund Blues Trail markers. **OSA found 19 vendors were paid from the Operating Fund; however, no contracts were found for any vendor and approximately \$343,192.09 was paid to these vendors (see Recommendation #2).** The highest paid vendor (Advertising Company) was paid \$184,763.36, which was thirty-two percent (32%) of the total amount disbursed from the operating fund.

Fiscal Agent

According to the Commission's Bylaws (dated 2014), Article VIII, Fiscal Agent states: *...The Commission, consistent with its authority granted under S.B. 2082, shall designate a department administered by a Commissioner serving pursuant to Section 1 (4) (a)-(g) of S.B. 2082 to assist the Commission by serving as Fiscal Agent to the Commission... The Fiscal Agent shall be the Treasurer of the Commission...* In the Bylaws, the Treasurer is identified as the Program Associate at the Delta Center and is responsible for all funds of the Commission.

During the audit, OSA discovered an expired MOU between DSU and the Commission dated June 17, 2010. This MOU did not have funds or procedures identified, and it acknowledged explicitly that MDOT Grant #2 should be used to support the "Mississippi Heritage Trail" rather than the "Mississippi Blues Trail" (see **Finding #8 and Recommendation #3**).

⁶ MDOT Grant #2 – Top Paid Vendors only represent 64% of expenditures; 36% are unidentified expenditures.

It was also stated in the MOU ...*Delta State University will serve as **Interim Fiscal Agent** for all grant funds and matching funds and receive 5% of federal funding as indirect administrative compensation...* On August 28, 2018, the Executive Director of the Delta Center requested an eight percent (8%) administration fee for managing the Commission’s funds. In a follow-up call, the Executive Director of the Delta Center stated the request should have been 5% rather than 8%.

The term “Interim” means “temporary.” For this reason, OSA concludes the appointment of DSU as the **Interim Fiscal Agent** should not have been for eleven years. The Commission should have established accounts and procedures with DFA to handle all financial matters. **OSA finds the Commission has compensated and allowed the Interim Fiscal Agent to operate without an active contract for at least eight years.** As of October 3, 2018, DSU, as the **Interim Fiscal Agent**, has been paid \$38,803.47 for indirect administrative costs (see Chart 4).

Chart 4

Fiscal Years 2012 through 2018	DSU–Administrative Costs for managing funds
FY 2012	\$10,200.32
FY 2013	\$15,183.56
FY 2014	\$3,169.58
FY 2015	\$4,152.54
FY 2016	\$1,674.28
FY 2017	\$2,033.22
FY 2018	\$2,389.97
Total	\$38,803.47

Source: The Delta Center Executive Director

The expired MOU between DSU and the Commission also stated ...*Delta State would promptly pay bills as they are submitted by MBC (Mississippi Blues Commission) approved vendors...* However, because there was no contract in place, the **Interim Fiscal Agent** should have obtained prior approvals from the Commission before any bills were paid. OSA questioned DSU’s payment processes. DSU and the Delta Center staff submitted the following payment procedures:

- Receive invoices from vendors by email (typically from the Advertising Company, the Sign Maker, the two Historians);
- Determine which grant would be used to pay the invoices;
- Initiate a purchase requisition; and
- Pay vendors **without** the Commission’s approval.

Those payments were submitted to vendors by DSU Finance & Administration Division. The Executive Director of the Delta Center (the Commission’s Treasurer) would then present to the Commission those vendors that had been paid during the quarterly Board meetings. OSA lists the following concerns with these procedures after the MOU expired:

- 1) The **Interim Fiscal Agent** established their own rules on payment and use of funds for the Commission without consulting the Commission;
- 2) The **Interim Fiscal Agent** compensated vendors over \$1.9 million dollars without appropriate approval;
- 3) DSU’s Banner Accounting System contains weak internal controls;
- 4) The Program Associate presented bills without supporting documentation of completed projects to the Commission that were already paid and prior to Commission approval.

If the Commission continues the relationship with the Interim Fiscal Agent, the Interim Fiscal Agent should request the Commission update their Bylaws, create an approved list of vendors, and establish a State fund for future bill payments. The Fiscal Agent should ensure all financial statements contain pertinent information such as report dates, report headings, and details of each transaction indicated. They should also maintain an accurate and

organized filing system to access financial data when needed or requested by the Commission or other governmental entities.

Historians

Historians are independent contractors who research and write the information contained on the Blues Trail markers. The Commission has paid two (2) active Historians, Scott M. Barretta (Historian #1) and James Winston O’Neal (Historian #2).

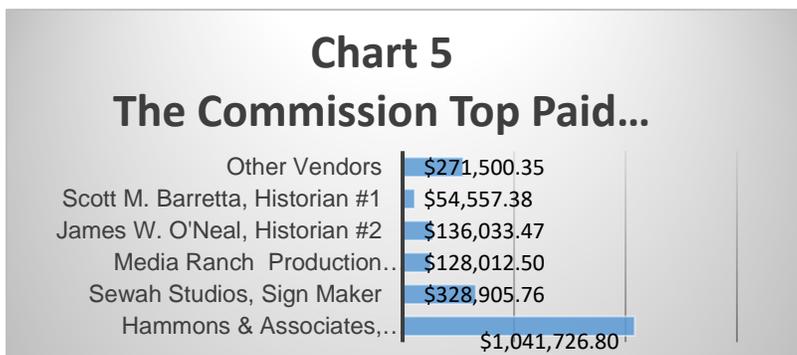
During the audit, OSA was unable to identify who hired the Historians even though they have been researching and writing for the Commission since 2006. No contracts could be located for them since 2006. Based on the data provided by the Delta Center, Scott Barretta has been compensated \$54,557.38, and James O’Neal has been compensated \$136,033.47. **OSA recommends the Commission re-evaluate the employment of the Historians, open these services for competitive bidding, and ensure each have an active contract on file that details their roles and the requirements needed for future projects.**

State Fund Establishment

According to MS Code §39-27-1(9), *...Any funds or donations received by the commission shall be deposited into a special fund which is hereby created in the State Treasury, and disbursement therefrom shall be made upon warrants by the Department of Finance and Administration after receipt of requisitions submitted by the appropriate person designated by the commission. Monies in the special fund may be used by the commission in carrying out its responsibilities under this act...* **OSA found the Commission did not establish a State agency fund with the State Treasury as directed in §39-27-1(9) with the Department of Finance and Administration.** Based on the data reviewed, the Commission has received over \$2.9 million in revenues and compensated 72 vendors over \$1.9 million. **OSA recommends the Commission work with the Department of Finance and Administration to create a fund to accurately track revenues, expenditures and any accumulated interest, as required by law.**

Board Members Compensation

MS Code §39-27-1(6) states *...Members of the commission shall receive no compensation for their services...* **During a review of NEA Grant #1, OSA found the former Executive Director of the Delta Center, identified as a member of the Commission (MS Code §39-27-1(4)(g)), was compensated \$12,450.00 with funds earmarked for the Commission. OSA recommends the Interim Fiscal Agent reimburse the Commission \$12,450.00 and in the future, the Commission should ensure compliance with MS Code §39-27-1-(6).**



Vendors

A variety of vendors were hired for in-state and out-of-state services since 2006. The vendors ranged from private companies to individuals located in Missouri, Tennessee, and Ohio. The vendors served as independent contractors, consultants, and Historians. None of the vendors have current contracts with the Commission, the Delta Center, or DSU. **OSA found approximately 72 vendors have been**

compensated over \$1.9 million by the Commission for projects and services without current contracts. OSA recommends the Commission ensure each vendor has a current contract on file, adhere to Mississippi Public Bid laws, conduct vendor background checks, and monitor vendors to ensure they are providing the services agreed upon in the contract. Also, the Fiscal Agent should create and maintain a master list of vendors and this list should be made available to each member of the Commission.

The top paid vendor, Hammons & Associates, an advertising company, was compensated \$1,041,726.80 (see Graph 5) and was initially presented as a Sole Source Provider to the Commission. Additionally, Hammons &

Associates was treated as a Sole Source Provider, and no evidence was found to support their contention that they should have been treated as a sole source provider. During this review OSA requested and received an “Assignment and Work for Hire Agreement” and other memo-styled agreements from Hammons & Associates. However, this document was expired and had missing elements of a contract. **OSA recommends the Commission suspend the services of Hammons & Associates and open these services for competitive bidding. OSA further recommends all parties involved seek legal advice and consider appointing a project manager and/or grant manager to oversee the completion of future projects.**

Sole Source Provider

Section 3.109 of the “Mississippi Procurement Manual” state, for a Sole Source Provider, *...State agencies must obtain approval for sole source purchases from the Office of Purchasing, Travel, and Fleet Management...* OSA discovered in Board Meeting Minutes dated August 19, 2010, the following: *...language with sole source providers need to be put into motion so that we can preserve the same artistic and the same historical approach used in existing markers. This will require using the same contractor as in the past rather than soliciting new bids. A motion was made that it was the intent of the Board members in attendance of this meeting that we treat the sole source provider language the same in MDOT-2 grant as was treated in the MDOT-1 grant...* OSA found no prior bids from other vendors. In the Board Minutes, the following were listed as Sole Source Providers: Advertising Company (one main advertising company has been used since 2006); a Sign Maker; and Historians (five were listed in Board Meeting Minutes dated August 19, 2010).

On October 18, 2010, the Commission voted unanimously to treat the sole source provider language the same in MDOT Grant #2 as it was treated in MDOT Grant #1. In addition, OSA found a document entitled “Sole Source Justification Letter” on MDA’s letterhead for the MS Civil Rights Freedom, MS Blues, and MS Country Music Trails dated January 24, 2010. The letter was signed by a Principal Investigator only, therefore rendering the document invalid. OSA was not able to obtain a copy of current contracts for any of the entities indicated as a Sole Source Provider. **OSA recommends the Commission follow proper steps to confirm vendors as Sole Source Providers.**

Public Meeting Notices

In the State of Mississippi, any governmental body that holds a meeting must publish their meeting publicly. MS Code §25-41-13 (3) states *...Notice of any regular meeting held by a state agency, other than a legislative committee, shall be submitted to the Department of Finance and Administration at least twenty-four (24) hours before the meeting in order to be posted on the department's searchable website created by the Mississippi Accountability and Transparency Act...* **OSA found the Commission failed to provide public notice and notify DFA of its quarterly meetings since 2006 as required by law. OSA recommends the Commission adhere to MS Code §25-41-13(3) and §39-27-1(5) and ensure it is informing the public and DFA of its quarterly meetings.**

Conclusion

Since 2006, the Mississippi Blues Commission has served the State of Mississippi by creating Blues Trail markers to preserve the blues heritage of Mississippi. To achieve this, the Commission received revenues from public and private donations, state and federal grants, the sale of memorabilia, and royalties. Using these funds the Commission has installed 199 Blues Trail markers. OSA attempted to confirm the Commission conducted its contractual and lawful requirements to determine if there was any fraud, waste, or abuse of public funds. OSA found the following issues that should be addressed by the Commission:

- Bylaws, contracts, and Memorandum of Understandings were expired;
- Payments were made without the Commission’s authorization and approval;
- A member of the Board was found to have been compensated for services, which is not allowed under the law;
- Contracts and key documentation were missing for approximately 72 vendors;
- The vendor selection processes were omitted and unclear;
- Mississippi DFA accounting system was not utilized to track revenues and expenditures;
- Accounting processes and internal controls were vague;

- There was little to no Commission oversight of over \$2.9 million in revenues and over \$1.9 million of expenditures; and
- Grant management procedures were not in place or followed.

At the conclusion of the audit, the Commission had approximately \$64,086.21 (MDOT Grant #2) for future Blues Trail projects. DSU has served as Interim Fiscal Agent for over 11 years and has issued payments to 72 vendors without contracts and without the Commission's approval. DSU should identify and provide appropriate documentation for all expenditures. If DSU cannot identify and provide this documentation, DSU should pay \$964,835.48 back to the Commission.

Given the extensive nature of these concerns around handling money, the Legislature should consider abolishing the Blues Commission and assigning its responsibilities to an entity like the Mississippi Blues Foundation. Such a move could save more money for taxpayers and create increased efficiency. Should future funds and resources become available to continue the activities of the Commission, OSA recommends the Commission or its successor:

- Develop long term goals to continue the mission of the Commission with more effective and efficient processes;
- Conduct audits annually;
- Establish, update, and review state and federal grant system requirements;
- Notify the public of the Commission's quarterly meetings;
- Maintain electronic records to facilitate better accessibility and transparency; and
- Conduct training and reviews of the Commission's Bylaws/statutes to ensure an understanding of the Commission's financial obligations and approval processes for newly appointed members.

About the Office of the State Auditor and the Performance Audit Division

The Mississippi Constitution grants specific duties and powers related to prescribing systems of accounting, budgeting, and financial reporting for public offices in Mississippi. It also enumerates other statutory responsibilities including study and analysis of existing public managerial policies and practices; pre-audit and post-audit functions; investigation of suspected fiscal violations; recovering misspent and stolen funds; and a variety of related duties and responsibilities. The mission of the Office of the State Auditor is to serve its customers and protect the public's trust by independently assessing state and local governmental and other entities to ensure that public funds are properly received, are legally, effectively, and efficiently spent, and are accounted for and reported accurately.

Performance audits provide objective analysis to assist those charged with governance and oversight to improve program performance and operations, reduce costs, facilitate decision making, and contribute to public accountability. The mission of the Performance Audit Division is to provide useful information to the public, program leadership, and elected officials in order to hold state government accountable for its performance. This is accomplished by identifying and recommending specific actions to address issues related to the efficiency, effectiveness, and economy of state agencies and programs. Audits by the Performance Audit Division are planned and performed to obtain sufficient, appropriate evidence to provide a reasonable basis for findings and conclusions based on established audit objectives.

All reports, documents, and supporting materials obtained and utilized by the Performance Audit Division are considered public information, unless otherwise prohibited by law. This report was produced by the Mississippi Office of the State Auditor in accordance with Mississippi Statute 7-7-211 and is available on the State Auditor's website at www.osa.ms.gov.

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